Navithenveli Pradeshiya Sabha - 2024

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1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Navithenveli Pradeshiya Sabha including the financial statements for the year ended 31 December 2024 comprising the Balance Sheet as at 31 December 2024, Income and Expenditure Account, Cash Flow Statement for the year and significant accounting policies and other explanatory information was carried out, for the year then ended, under my direction in pursuance of provisions in Article 154 (1) of the constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Sub-Section 172 (1) of the Pradeshiya Sabha Act No. 15 of 1987 and Sub-section 10 (1) of the National Audit Act, No. 19 of 2018. My comments and observations which I consider should be report to parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Navindanveli Pradeshiya Sabha as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Practices

1.2 Basis for Qualified Opinion

I expressed qualified opinion on the matters described in paragraph 1.6 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Practices, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Pradeshiya Sabha's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Pradeshiya Sabha is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements.

1.4 Scope of Audit (Responsibility of the Auditor for the audit of Financial Statements)

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercised professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of its internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Pradeshiya Sabha, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Pradeshiya Sabha has complied with applicable written law, or other general or special directions issued by the governing body of the Pradeshiya Sabha;

- Whether it has performed according to its powers, functions and duties; and

- Whether the resources of the Pradeshiya Sabha had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Report on Other Legal Requirements

National Audit Act, No. 19 of 2018 includes specific provisions for following requirements.

(a) The financial statements of the Pradeshiya Sabha presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.

(b) The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

1.6 Audit Observations on the preparation of Financial Statements

1.6.1 Accounting Deficiencies

	Audit Observation	Comments of the Council	Recommendation
(a)	The value of 16 items of minor goods purchased for the use of the Sabha amounting to Rs.99,930 had been accounted for under fixed assets.	The value of goods that last more than a year is shown there.	The value of minor items should be removed from fixed assets and accounted for appropriately.
(b)	The amount of Rs. 749,220 spent in the year under review to renovate the public library and public market of the Sabha had not been included under land and buildings in the financial statements.	That the steps will be taken to correct in the next financial statement.	Expenses related to the year should be accounted for under appropriate classifications within the year itself.
(c)	The value of the Sabha's backhoe loader, 10-ton roller, small roller, roller caterpillar machine, tractor, trailer and water bowser had not been assessed and shown in the accounts.	The request had been sent to the Valuation Department to assess the value of the vehicles. Accordingly, steps will be taken to account for them.	The value should be assessed and shown in the accounts.
(d)	The value of the walls of the Chawalakade Public Playground, which had been completed at a cost of Rs.4,598,924 in 2021, was omitted from the financial statements.	It was not possible to indicate erroneously. Action will be taken to correct this in the coming year.	The relevant value should be reflected in the financial statements.
(e)	The value of the equipment and library books received to the Sabha in the years 2021 and 2022 had not been calculated and accounted for.	That the steps will be taken to enter in to the accounts next year.	The relevant value should be reflected in the financial statements.

1.7 Non-compliance

1.7.1 Non-compliance with Laws, Rules, Regulations and Management Decisions

	Reference to Laws, Rules, Regulations and Management Decisions etc.	Non-compliance	Comments of the Council	Recommendation
(a)	Pradeshiya Sabha Act, No. 15 of 1987			
	(i) Section 128	Action had not been taken to identify the assets utilizing by the Sabha and acquire ownership of them	That the steps will be taken to take over ownership of the assets.	Action should be taken to take over ownership of the assets.
	(ii) Section 134	Steps had not been taken to identify developed areas within the Pradeshiya Sabha area from time to time.	Efforts are being made to identify new sources of income in developed areas.	Developed areas should be identified and efforts should be made to collect revenue.
(b)	Pradeshiya Sabha (Financial and Administrative) Rules, 1988			
	(i) Rule 5(xii)	No steps had been taken to obtain security deposits from 03 officers in charge of cash and stores.	Arrangements have been made to obtain security deposits.	Steps should be taken to obtain security deposits in accordance with financial and administrative rules.
	(ii) Rule 218	Although an annual survey was to be conducted on all lands and buildings in the area, no steps had been taken to do so.	Although surveys were conducted, it was not possible to submit the relevant documents for audit as they were not available.	A survey of land and buildings should be conducted and a report should be submitted to audit.

2 Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of income over recurrent expenditure of the Sabha for the year ended 31 December 2024 amounted to Rs.2,084,935 compared to the excess of income over recurrent expenditure amounted to Rs.6,940,497 in the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue

According to the information submitted, Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to the year under review and the preceding year are shown below.

	2024				2023			
Source of Revenue	Estimated Revenu Rs.	Revenue billed Rs.	Revenue Collected Rs.	Arrears as at 31 December Rs.	Estimated Revenue Rs.	Revenue billed Rs.	Revenue Collected Rs.	Arrears as at 31 December Rs.
Rates and Taxes	-	-	-	-	-	-	-	-
Rent	5,230,000	5,302,000	4,146,725	1,155,275	4,475,000	3,363,347	3,607,437	1,058,675
License Fee	1,015,000	1,038,100	1,038,100	-	790,000	874,900	874,900	-
Other Revenue	3,317,500	1,888,634	1,871,066	17,568	3,017,500	1,451,179	1,469,018	19,640
Total	9,562,500	8,228,734	7,055,891	1,172,843	8,282,500	5,689,426	5,951,355	1,078,315

2.2.2 Performance in Collecting Revenue

The following are observations made on the performance in collecting revenue.

	Audit Observation	Comments of the Council	Recommendation
(a)	Action had not been taken to collect the outstanding rent of Rs.1,050,595 from the lessees.	Payments are being made from the outstanding amount from 2007 to 2022 as per the decision of the Mediation Board.	Action should be taken to recover the outstanding amount.
(b)	The council had lost Rs.2,400,000 in lease revenue for 5 years due to failure to lease 05 shops in the office premises and 03 shops in Chawalakade.	02 shops are currently leased. Arrangements have been made to lease the remaining shops.	Arrangements should be made to lease out the shops.

(c)	Although it was estimated that a sum of Rs.1,015,000 would be collected as license income from 525 shops, only Rs.902,100 had been collected from 338 shops.	Steps have been taken to recover the outstanding amount along with the fine. Furthermore, steps will be taken to remove the inactive shops from the list.	Steps should be taken to update and recover trade license fees.
(d)	Steps had not been taken to calculate and reimburse the stamp duties for the period from July to December 2024.	Stamp duties have been received from January to July 2024. Steps will be taken to collect the remaining outstanding amount.	Stamp duty should be collected within the relevant period.

3. Operational Review

Matters revealed with regard to fulfilling regulation and control and administration of public health, public utility services and public roads, generally with the protection and promotion of the comfort, convenience and welfare of the people and amenities by the Council under Section 3 of the Pradeshiya Sabha Act are shown below.

3.1 Uneconomical Transactions

Audit Observation	Comments of the Council	Recommendation
No steps had been taken to produce organic fertilizer using biodegradable waste.	Action will be taken to do in the future.	Organic fertilizer should be produced using biodegradable waste.

3.2 Management Inefficiencies

	Audit Observation	Comments of the Council	Recommendation
(a)	When obtaining water connection in the year under review, certificates had not been obtained from the Technical Officer that the 527 places had been repaired with the deposit of Rs. 296,500 which had been obtained for the road damages.	Although the road repairs were carried out properly, a system for obtaining the certificates of the technical officer had not been followed.	The Technical Officer must confirm the locations where road damage has been repaired.
(b)	Details regarding Value Added Tax of Rs.5,970,660 paid to 05 contractors for the constructions works had not been submitted to the Auditor General.	Currently, steps have been taken to submit the relevant details to the Auditor General and the Inland Revenue Department.	Details regarding Value Added Tax must be submitted to the Auditor General.

(c)	Although an advance of Rs. 34,500 was paid to the Survey Department on 22 February 2023 to survey the government land provided by the Divisional Secretariat, no steps had been taken to complete the relevant survey work.	Although the relevant land has been measured by the Survey Department and plans have been prepared, a problem has arisen regarding the boundaries of the land, and the Divisional Secretary has appointed an investigation committee.	Efforts should be made to resolve and settle issues related to land boundaries.

3.3 Operational Inefficiencies

	Audit Observation	Comments of the Council	Recommendation
(a)	The organic fertilizer production machine purchased at a cost of Rs. 671,000 in 2021 had not been used for the relevant purpose.	The relevant machine has been deactivated, and it will be repaired and action will be taken to produce organic fertilizer in the future.	The machine should be repaired and used for its intended purpose.
(b)	No steps had been taken to identify buildings in the sabha area for which permits had not been obtained and to levy fines on those.	Two development officers have been deployed for this task.	Steps should be taken to levy fines for unauthorized construction.

3.4 Assets Management

	Audit Observation	Comments of the Council	Recommendation
(a)	Although the value of the lands and buildings owned by the council was stated as Rs. 223,640,056 in the financial statements of the year under review, the relevant asset registers had not been updated.	Proper fixed asset records are maintained regarding lands and buildings but they have not been able to be updated due to issues regarding land ownership.	Land and buildings records should be updated.
(b)	The daily income of the sabha was in the custody of the shroff, ranging from Rs. 300 to Rs. 75,000, without being deposited in the bank during the year 2024, and no steps had been taken to place it in a steel safe in accordance with Financial Regulations 315 and 316.	All income received from 2 pm on each day to 2 pm the following day is usually deposited in the bank. Since income received after 2 pm cannot be deposited in the bank, it has to be kept with the cashier and steps have been taken to repair the relevant safe.	The safe should be repaired immediately.

(c)	Arrangements had not been made to transfer 08 vehicles used by the Sabha to the name of the Sabha.	That the vehicles transfer applications to the name of the Sabha have been completed and sent to the relevant institute.	The ownership of the vehicles should be transferred to the name of the Sabha.
(d)	Although the fuel consumption of vehicles owned by the Sabha was to be checked in accordance with Public Administration Circular No. 30/2016 dated 29 December 2016, this had not been done on 07 vehicles owned by the Sabha.	Arrangements have been made to conduct fuel combustion tests.	Action should be taken according to the circular.
(e)	11 water tanks provided to the Sabha by the Divisional Secretariat had not been entered in the inventory register.	That the steps have been taken to record in the inventory.	Steps should be taken to record the relevant water tank stock in the inventory.
(f)	Arrangements had not been made to separately enter each part of the paddy thresher in the inventory register, purchased for Rs.2,795,000 under the LDSP project.	Answered had not been received.	Action should be taken to enter each part of the paddy thresher separately.
(g)	Although 05 public markets were constructed from 2006 to 2021 at a cost of Rs. 9,275,865, they were abandoned without public use.	The Sabha has taken steps to implement these fairs.	Public market should be transformed into places that provide more accessible and beneficial services to the public and generate revenue.
(h)	The solid waste center worth Rs.3,000,000, which had been provided to the Sabha in 2010 by a voluntary organization, had been abandoned due to the fact that it had not been constructed in a suitable location due to the lack of a feasibility study.	This location had to be abandoned due to opposition.	Problems should be solved and used for the relevant purpose.

3.5 Deficiencies in Contract Administration

	Audit Observation	Comments of the Council	Recommendation
(a)	It was observed that tile grout was not properly applied when fixing tiles at several locations in the Chawalakade Multipurpose Building Phase III.	Deficiencies were identified during the field inspection and are being corrected.	Necessary steps should be taken to correct the deficiencies.
(b)	There is only one library for 07 divisions and 20 Grama Niladhari divisions in the Sabha area, and that library was also not located in a suitable location.	That steps will be taken to pay attention to relevant matters.	The public library should be located so that it can be used by everyone.

3.6 Human Resource Management

	Audit Observation	Comments of the Council	Recommendation
(a)	In accordance with the Public Administration Circular No. 02/2018 dated 24 January 2018 amended by the circular No. 02/2018(1) on 30 November 2023 of the Ministry of Public Administration and Management and the Public Administration Circular, the Sabha had not prepared the Human Resources Development Plan for the year 2024 and taken steps to utilize human resources efficiently.	The human resources plan has currently been prepared.	A human resource development plan should be prepared and action should be taken to implement it.
(b)	A secretary had not been appointed for the affairs of the Sabha.	Answers had not been received.	Steps should be taken to fill the vacancies urgently.

4 Accountability and Good Governance

4.1 Sustainable Development Goals

Audit Observation	Comments of the Council	Recommendation
Action had not been taken to identify the indicators required to identify and measure the Sustainable Development Goals.	That the necessary financial provisions should be obtained for implementation.	In accordance with the Sustainable Development Act No. 19 of 2017, targets and indicators should be identified and the necessary provisions should be allocated to achieve the objective.

4.2 Environmental Issues

Audit Observation	Comments of the Council	Recommendation
It was observed that 20 business entities had been operated without renewing their environmental protection licenses during the year under review.	Reminders have been sent to the relevant institutions to renew their licenses and legal action will be taken.	Environmental protection permits should be renewed.

4.3 Solid Waste Management

	Audit Observation	Comments of the Council	Recommendation
(a)	Since there is no suitable place for solid waste disposal in the Sabha area, an amount of Rs. 44,397 was spent to dispose of about 129 tons of garbage monthly at the Addalachenai Pradeshiya Sabha Solid Waste Center.	That the steps will be taken to produce organic fertilizer in the future.	The Sabha should initiate waste management activities.
(b)	Without doing any of the basic work required for organic fertilizer production, the Sabha had provided relevant training to 23 employees.	Necessary steps will be taken to produce organic fertilizer in the future.	Waste management activities should be initiated using trained workers.